

**State Revenue Sharing Program
Department of Community and Economic Development
Program 17**

I. PROGRAM OBJECTIVES

Under the State of Alaska Revenue Sharing program, entitlements are paid to municipalities and other eligible recipients in the unorganized borough for local government services.

II. PROGRAM PROCEDURES

Municipalities may receive, upon application, a minimum entitlement of \$25,000 plus a geographical cost of living adjustment. The amount of funds distributed to each municipality is based upon population, local fiscal effort, property tax base, miles of road maintained and operation of health facilities and hospitals. Funds are also provided to Volunteer Fire Departments serving a population not in a municipality and to unincorporated communities.

III. COMPLIANCE REQUIREMENTS AND SUGGESTED AUDIT PROCEDURES
A. TYPES OF SERVICES ALLOWED OR UNALLOWED

Compliance Requirements

Funds generated by the tax levy of a taxing unit within the municipality (service area or non-areawide services) may only be used for authorized expenditures of that taxing unit. AS 29.60.050

No more than 15 percent of the areawide entitlement may be used, at the discretion of the assembly or council, for services provided on a service area or non-areawide basis. AS 29.60.050

At least 20 percent of the funds received for the reported maintenance of roads must be expended for road maintenance during the fiscal year in which the funds were awarded. The remaining 80 percent or less may be used for other municipal services or municipal services or facilities. AS 29.60.110; 3 AAC 130.052 (1)

If the applicant is a borough which provides road maintenance services by service area, the applicant must agree to allocate the amount received under AS 29.60.110 for road maintenance within a service area, including the cost of living differential, if any, to that service area. 3 AAC 130.052(4)

All of the funds received for the reported operation and maintenance of health facilities must be irrevocably dedicated to operation and maintenance of health facilities or health services; and, at least 20 percent of the funds received for the reported health facility operation and maintenance must be spent for operation and maintenance during the fiscal year in which the funds were awarded. (AS 29.60.120; 3 AAC 130.053 (a)(2)) Where funds have been provided to a volunteer fire department in the unorganized borough, the funds may only be used for fire protection. AS 29.60.130; 3 AAC 130.054(2) 19 AAC 30.054

At least 20 percent of the funds received by a volunteer fire department must be expended for fire protection services in the fiscal year in which the funds were awarded. AS 29.60.130; 19 AAC 30.054(2)

Suggested Audit Procedures

- Test financial and related records and determine the purposes for which the funds were expended.
- Where applicable, verify that all earmarked amounts were properly expended.

B. ELIGIBILITY

The auditor is not expected to verify eligibility.

C. MATCHING, LEVEL OF EFFORT, AND/OR EARMARKING REQUIREMENTS

There are no matching or level of effort requirements. The auditor should determine that funds earmarked for roads, health facilities, hospitals, and fire protection, as detailed in the Types of Services Allowed or Unallowed section above, have been expended for the required purpose and where appropriate, in the required amount.

D. REPORTING REQUIREMENTS

There are no requirements for the periodic reporting on the use of the funds. Municipalities and second class cities are required to submit an annual audit and/or certified financial statement for continued receipt of the entitlement. Audit reports of entities, which have received state revenue sharing entitlements, should include statements in sufficient detail to allow verification of locally generated revenues by source and all expenditures made for each separate service claimed by the entity. AS 29.60.040; 3 AAC 130.021(b)

E. SPECIAL TESTS AND PROVISIONS

Compliance Requirement

Those municipalities which levy and collect a property tax are required to provide notice to taxpayers, pursuant to AS 29.45.020, showing a) the amount of financial assistance received from the State and, b) the equivalent mill rate needed to raise that amount in the municipality. If a borough levies and collects only a sales and use tax it must provide notice to taxpayers, pursuant to AS 29.45.660, showing a) the amount of financial assistance received from the State and b) the equivalent sales tax rate needed to raise that amount in the municipality.

Suggested Audit Procedure

- Review appropriate records to determine whether required notice to taxpayers was provided in accordance with AS 29.45.020 and AS 29.45.660.

Modified 5/00